

Appendix A961-A1040

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1 A. I don't recall. You should have everything.
2 Everything we have, you have.

3 Q. Okay. Going back to the working group list,
4 the next person -- forgive me if I don't pronounce his
5 name right. Sameet Mehta?

6 A. Mehta.

7 Q. Mehta.

8 What was his role in the IPO?

9 A. He was a financial analyst. So he was in
10 charge of running the numbers, putting books together,
11 also attend meetings, also help out on due diligence.

12 Q. And he was in the San Francisco office?

13 A. Yes.

14 Q. How often did you communicate with him?

15 A. Quite often as well.

16 Q. How did you communicate? By phone? By
17 e-mail?

18 A. By phone. In meetings. He sat -- I could
19 see him from where I sat, so -- in the office. So
20 there's a lot of communication in the team. A team in
21 a deal like this are always talking.

22 Q. What was Marc Paley's role in the IPO? The
23 top of the next page.

24 A. He was a head of equity capital markets.

25 Q. What does that mean?

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1 A. So he -- we have a group that interfaces
2 between banking and the equity markets, the
3 salespeople in the -- that sell stock for Lehman
4 Brothers. And he was the head of that equity capital
5 group. It's kind of the interface between the sales
6 force and the banking side.

7 Q. And M. Bradley Smith, what was his role on
8 the IPO?

9 A. He was the VP from that same group and more
10 of the day-to-day person involved on the IPO.

11 Q. Do you know if he ever met with the
12 Adams Golf people?

13 A. Yes, I believe he did.

14 Q. Okay. Do you know if he ever traveled,
15 actually, to Adams Golf?

16 A. I -- I believe he did, but correct me if I'm
17 wrong. I believe he did. Because they are very
18 involved --

19 Q. Okay.

20 A. -- the equity capital market people.

21 Q. What was Bernard Picchi's role?

22 A. Bernard Picchi. He was the equity research
23 analyst.

24 Q. What did that entail?

25 A. Well, he was an independent research analyst,

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1 which would decide -- again, independently -- whether
2 or not he would support the stock. And he would be
3 issuing a research report, potentially, on the stock
4 after the IPO.

5 Q. So what were the differences between the
6 New York and San Francisco analysts' duties with
7 respect to the Adams IPO, the differences between
8 Mr. Picchi and Mr. Mehta?

9 A. Oh, significantly different. Bernie Picchi's
10 job is to educate investors, institutional investors,
11 and provide an independent look at the company based
12 on his models, his knowledge of the market.

13 So Mehta -- Sameet Mehta was a financial
14 analyst, a junior person that did financial analysis
15 in terms of company comparables and lower-level work
16 than what Bernie Picchi would do.

17 Q. Lower-level and more internal? Is that what
18 you're --

19 A. Let's see. Sameet Mehta's job is more as a
20 support role for the banking team.

21 Q. Okay. That's helpful. Still trying to
22 figure out how it all works.

23 A. And the banking team is separate from the
24 equity research team.

25 Q. And what was Brian Lantier's role?

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1 A. He was kind of like the -- the support for
2 Bernie Picchi. An equity research analyst in
3 training.

4 Q. Okay.

5 A. He would eventually hope to have his own
6 accounts under coverage.

7 Q. And how often did you communicate with either
8 Mr. Picchi or Mr. Lantier in the IPO process?

9 A. Well, we were -- you know, we would --
10 I don't recall if we had -- we had to -- you know,
11 because they are a separate type of group and there is
12 a wall between us, we had to introduce the company to
13 them and they had to do their own analysis and their
14 own independent study. And we could give them what we
15 had, but they made their own judgments on it.

16 But we would talk to them whenever they asked
17 us questions. And I don't remember if at the time,
18 if we had a go-between. We may have, in the form of
19 Brad and Mark. I don't remember.

20 Q. So even though they are on the working group,
21 there was something of a wall between the two groups,
22 with separate and defined roles?

23 A. (Nods head up and down.)

24 Q. Do you recall whether there was ever a
25 discussion with Mr. Picchi or Mr. Lantier about gray

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1 marketing?

2 A. I don't recall about whether or not we used
3 the term "gray marketing." But we would certainly
4 talk to them -- him about any of our concerns or
5 anything like that. And so most of our focus was on
6 the competition, you know, and what the next product
7 was that was going to be and how the company was doing
8 in that regard.

9 So that's -- that's what I recall.

10 And then he had a separate meeting with the
11 company, which bankers could attend, and then he would
12 explore whatever issues he felt were very relevant.
13 And so I'm sure it was all discussed in the terms of
14 what's important right now to the company in making an
15 assessment of what the most relevant risk factors
16 were.

17 Q. Okay. Just to be clear, when I use the term
18 "gray marketing," I know it's referred to by a variety
19 of terms, and "gray marketing" seems to be what we've
20 just started using in this case.

21 A. Okay.

22 Q. I think "parallel importing," I believe, is a
23 similar term, referring to any unauthorized
24 distribution, distribution to unauthorized retailers.

25 A. Okay.

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1 Q. And, going back, do you specifically recall
2 having any discussions of gray marketing, under any
3 term, with Mr. Picchi or Mr. Lantier before the Adams
4 IPO?

5 A. Again, I'm getting very literal. I know we
6 discussed it in general. I can't tell you exactly
7 when or how, but I know we discussed any of the issues
8 that we would have.

9 So, again, I would go back to the
10 competition, what it would look like, where the clubs
11 are going, dealers. But the gray marketing was --
12 that wasn't a big issue at all. It happens, you know,
13 that clubs get to be -- you can get a club somewhere,
14 anywhere, no matter what the company does. They could
15 have the strictest contractual things and somebody
16 somewhere can get a club.

17 And so it wasn't -- that wasn't an issue.
18 We were focused on, Are there dealers? Are they
19 getting what they need from the company? Are they
20 happy? Are they upset with the company? Is there
21 anything that they don't like about what the company
22 is doing? And that was our primary focus, because if
23 those dealers no longer wanted to carry Adams Golf,
24 you know, then we would be -- there might be -- that
25 could be an issue.

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1 Q. Oh, sure.

2 A. So we definitely focused on what -- did the
3 third-party checks. We asked them, we probed them
4 very much. So is there anything at all?

5 And the club was being pulled. Everybody
6 wanted that club. It was more an issue, could Barney
7 get the clubs to the dealers, you know, in the
8 quantity that they wanted, you know, and in a timely
9 manner? And then also, how much Barney was going to
10 keep providing the pull, you know, with the brand
11 awareness and brand recognition out there. Because
12 that all helped the dealers when the name was out
13 there, everybody knew it. It sold the club for them.

14 So that's the kind of thing that we focused
15 on.

16 Q. Okay. So is it fair to say you don't recall
17 having any specific conversations concerning gray
18 market with Mr. Picchi or Mr. Lantier?

19 MR. CHEPIGA: Are you referring -- using the
20 word "gray marketing," conversations in which they
21 used the word, the phrase "gray marketing"?

22 MS. LELAND: Or any -- any sale of products
23 or finding products at an unauthorized retailer.

24 THE WITNESS: Okay. Now, that kind of thing,
25 we would have had. I guess I just -- I have a problem

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1 with the "gray marketing" concept.

2 BY MS. LELAND:

3 Q. And we can refer to it as whatever you would
4 like to refer to it. But in our complaint and
5 throughout this litigation, "gray marketing" has
6 referred to the unauthorized sale.

7 A. So, unauthorized. Yes, we would have
8 discussed that. And it wasn't -- it wasn't a big
9 issue. It just -- yes, we knew it was there, we
10 discussed it, and it wasn't material, whatever, a
11 relevant issue that was important to this.

12 Q. How were you able to determine whether it was
13 relevant or not?

14 A. Whether --

15 Q. Whether the gray marketing --

16 MR. CHEPIGA: One at a time.

17 THE WITNESS: Okay.

18 MS. LELAND: Sorry.

19 Q. How did you determine whether the gray
20 marketing was material or not?

21 A. We of course first spoke to the company,
22 talked about the distribution channels. The issue
23 of -- the discussion of Costco came up because of
24 discount warehouses. And we asked, was it much of a
25 problem? They said no, there was -- it was an

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1 isolated incident -- I recall something to that
2 effect. My interpretation was it was an isolated
3 incident and that that person or distributor, whoever
4 it was that got those clubs there, they were going to
5 pursue that and put an end to that.

6 Q. Do you recall who you spoke with at
7 Adams Golf about this issue?

8 A. It would have been Barney or Mark or --
9 I don't recall exactly who, but it was a group of many
10 people that were -- that would have been present.

11 Q. Okay.

12 MR. CHEPIGA: You were asking her what she
13 did to determine it was material. Can we let her
14 finish her answer?

15 MS. LELAND: Sure.

16 THE WITNESS: Then we -- we interviewed third
17 parties, or their customers and retailers, to look --
18 to look at that.

19 Also, you know, I do a lot of anecdotal-type
20 thing. Costco was a client of mine, so I was -- I
21 offered the company, like, "Well, do you want me to
22 talk to Costco about this? I don't know if Costco
23 will tell me, but I can ask them about this." And it
24 wasn't a big issue. They said, "No, we'll take care
25 of it," through their -- their process, which was the

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1 potential litigation of the filing in Texas. And so
2 we said, okay, we don't have to do that.

3 It wasn't a big issue. Plus, there was
4 discussion, would people actually buy the clubs at
5 Costco? Because if you -- when I was checking with
6 people, they don't buy clubs at Costco, not at that
7 price point. It was a pretty expensive club to buy.
8 If it's suspect, whether it's a second-quality one or
9 rip-off in general.

10 Most people, they won't buy basketballs
11 because they think they bounce funny. They won't buy
12 golf balls because they think they are second-quality.
13 That's the impression in general of some of the sports
14 equipment products. And when this is such -- it's a
15 high-ticket item, and someone who's a golfer looking
16 to improve their golf swing and invest in this,
17 they're going to make sure that is the product that
18 has the little technology aspects to it that they
19 believe the product has.

20 So -- so it wasn't -- it wasn't going to be
21 an issue. So many people said, "What? I wouldn't buy
22 it there. How do I know that's it, that that's the
23 right product?"

24 So I wasn't -- you know, if it was showing up
25 there, I didn't think it was -- I thought it would

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1 stop, you know, they would put an end to that.

2 I didn't think there was going to be an issue. It
3 wasn't a great number of clubs that were showing up
4 there. This was a specialty club.

5 BY MS. LELAND:

6 Q. How did you learn how -- the number of clubs
7 that were in Costco?

8 A. I don't recall knowing the exact number, but
9 I remember asking about, you know, where it was. And
10 I just recall it being an isolated incident.

11 Q. Did anybody from Lehman actually go to a
12 Costco and see the clubs in the store?

13 A. We did not see them. I looked. I was,
14 "Where are they? Okay, it must be some store."
15 I actually thought maybe it was up in Seattle or
16 something. Because I didn't see them, so...

17 Q. So you actually went out to Costco and looked
18 to see?

19 A. Oh, yeah.

20 Q. Which Costco did you go to?

21 A. Let's see. I would have gone to the
22 San Francisco one. I -- whenever I was in
23 Los Angeles, I would find -- because Costco and we
24 were -- Lehman Brothers worked on the IPO of Costco --
25 don't quote me; I might be wrong. But, yes, I'm a

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1 card-carrying member of Costco. And my husband will
2 not buy any sports equipment there.

3 Q. Let me finish going through this list and
4 then maybe, depending on how you feel, it would be a
5 good time to take a break.

6 A. Okay.

7 Q. What was the role of John Weiss in the IPO?

8 I'm sorry, I skipped ahead. Page 9. He
9 appears to be with NationsBank Montgomery.

10 A. Oh. He -- I don't recall, but from his title
11 here, he would have been like the Bernie Picchi of
12 NationsBank.

13 Q. And what was the role of Joe Teklits, if I'm
14 pronouncing that correctly?

15 A. He's an equity research analyst from
16 Ferris Baker. The same as Bernie Picchi, similar role
17 as Bernie Picchi.

18 Q. Okay. And Dave Turner?

19 A. I don't know that name. I don't recall that
20 name, I should say.

21 Q. Okay. He was also at Ferris Baker, I
22 believe, and may have been later in the period.

23 A. Okay.

24 Q. What kind of communications did Lehman and
25 the other writers -- other underwriters have during

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1 the IPO process?

2 A. Well, they were our co-managers, so they
3 needed to be present at the drafting sessions and at
4 the due diligence sessions. And we would include them
5 in -- they were part of the team. We all worked
6 together.

7 Q. Was there an exchange of the research that
8 was done by the individual underwriters?

9 A. I --

10 MR. CHEPIGA: Object to the form of the
11 question.

12 If you understand it, go ahead. I don't.

13 MS. LELAND: Let me try to rephrase it.

14 Q. You did research at Lehman?

15 A. Okay. Equity research? Because there's
16 equity research, which is the Bernie Picchi,
17 Joe Teklits, that kind of thing. And that's
18 proprietary; they write their own and they are
19 competing with each other. So -- you know, so we have
20 the same source in terms of the companies meetings for
21 equity research, but they write their own reports.

22 Q. Okay.

23 A. They do so independently. They come up with
24 their own models, their own everything, if you're
25 talking about equity research.

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1 Q. And as far as the type of research you were
2 doing, is there a term for that?

3 A. Well, if you're talking about the due
4 diligence.

5 MR. CHEPIGA: Due diligence?

6 MS. LELAND: Yes, just the due diligence in
7 general.

8 THE WITNESS: Yes, we all do that together.

9 BY MS. LELAND:

10 Q. And the information was exchanged between --

11 A. Mm-hmm. Mm-hmm.

12 Q. Okay.

13 A. Oh, I needed to say "yes."

14 MR. CHEPIGA: Just making sure she got the
15 "yes."

16 Do you want to take a break? We've been
17 going over an hour.

18 MS. LELAND: Sure.

19 (Recess taken.)

20 (Exhibit No. 154 marked for identification.)

21 BY MS. LELAND:

22 Q. Marked as Exhibit 154 is a document Bates UND
23 00134 through -43. Can you take a look at the
24 document and then let me know if you recognize it.

25 (Witness examines document.)

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1 Q. Oh, sure.

2 To the best of your recollection,
3 approximately how many drafting sessions were there?
4 Five? Ten? Fifty? Just trying to get a general
5 feel.

6 A. I -- other than to say several, I don't --
7 I don't know.

8 Q. "Several" is fine.

9 Can you flip ahead to Page 137.

10 A. Okay.

11 Q. About halfway down, right above management
12 presentations, it says: "Olga is point person on due
13 diligence info for underwritings. "

14 A. Okay.

15 Q. Do you recall that topic being discussed at
16 any of the meetings that --

17 A. "Olga is point person" -- I don't recall it,
18 but I would have said I'm the person collecting -- I'm
19 the lead underwriter there. So I'm the person that
20 collects things.

21 Q. So that statement is correct?

22 A. Yeah. Myself. And I would delegate that
23 potentially to Patrick, but -- if I'm not there.
24 Either way, we're one and the same, kind of.

25 (Exhibit No. 155 through 158 marked for

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1 identification.)

2 MS. LELAND: Marked as Exhibit 155 is
3 Document UND 6283 through 6287; marked as Exhibit 156
4 is the document Bates-numbered UND 4380 through -84;
5 as Exhibit 157 is the document Bates-numbered
6 UND 06946 through -49; and as Exhibit 158 is the
7 document UND 8076 through -77.

8 Q. Do you recognize these documents?

9 A. Yes.

10 Q. Will you tell me what these documents are?

11 A. These are the cover letters of information
12 being sent from the company or from Arter, Hadden --
13 I'm not sure how it came, from the company or from
14 Arter, Hadden, but to our attorneys, who then
15 delivered them to us.

16 Q. And these were prepared in the ordinary
17 course of the underwriting?

18 A. Mm-hmm, yes.

19 Q. And these were all part of the due diligence
20 process?

21 A. Yes.

22 Q. With respect to Exhibit 155, probably a good
23 place to start, do you recall receiving the documents
24 listed on Page 6284 through -87?

25 A. Yes.

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1 Q. Did you read all of the documents that were
2 provided by the attorneys?

3 A. Did I read all of the documents? I would say
4 a substantial portion of them.

5 Q. Okay. And did others on the team read the
6 remaining documents?

7 A. Yes.

8 Q. What was done with the documents once you
9 received them?

10 A. They were reviewed, read by team members, and
11 used for reference and retained.

12 Q. And looking at Exhibit 156, do you recall
13 receiving the documents listed here on Pages 4381
14 through -84?

15 A. Yes.

16 Q. Did you review them?

17 A. Yes.

18 Q. And what was done with them in addition to
19 reviewing them?

20 A. If we were -- needed them for reference or we
21 would pull materials out of them, and then they would
22 be retained in the files.

23 Q. Okay. Same questions for Exhibit 157.

24 Do you recall receiving the documents listed
25 on Pages UND 6947 through -49?

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1 A. 157, yes.

2 Q. And did you read these documents?

3 A. Yes. We looked -- we looked through
4 everything.

5 Q. And were any memos created summarizing the
6 information?

7 A. I -- I don't recall. If there was anything
8 of concern, it would be noted and we would pursue that
9 further.

10 Q. Sitting here now, does any specific item of
11 concern come to mind?

12 A. I would have to review each -- each line.

13 Q. Okay. Let's take a look at Exhibit 158.

14 A. Okay.

15 Q. Did you receive the documents listed on
16 Page 8076?

17 A. Yes.

18 Q. And do you recall reviewing those documents?

19 A. Yes.

20 Q. And what was done with these documents
21 following the review?

22 A. They would be, again, reviewed, anything
23 noted, and then they would be retained.

24 Q. Will you go ahead and take some time and go
25 through the list --

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1 if there were others. Objection.

2 THE WITNESS: Yeah, I don't know. It's
3 whatever you guys have in the files.

4 MS. LELAND: She also said they keep very
5 good records and if it happened, it should be here.

6 MR. CHEPIGA: If you pulled everything that's
7 relevant to show her.

8 (Exhibit No. 159 marked for identification.)

9 MS. LELAND: Marked as Exhibit 159 is the
10 document Bates-numbered UND 00283 to -84.

11 THE WITNESS: Okay.

12 BY MS. LELAND:

13 Q. Do you recognize this document?

14 A. No.

15 Q. Do you recognize the handwriting in this
16 document?

17 A. No. Curious, whose is it? Sorry.

18 Q. The document purports to reflect a meeting
19 dated July 9th of 1998 with Daryl and Mark from the
20 company. I'm looking at the top of Page 284. It
21 says: "Bring down due diligence."

22 Do you recall any such meeting occurring?

23 A. "Bring down due diligence." Yes.

24 Q. Was this some -- did you participate in this
25 meeting?

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1 A. I believe so, but I can't recall
2 definitively.

3 Q. Okay. And by "Daryl and Mark from the
4 company," is that Daryl Hatfield and Mark Gonsalves?

5 A. Yes.

6 Q. Do you recall where the meeting was held?

7 A. July 9th. No, I do not.

8 Q. Toward the bottom of Page 284, there is a
9 heading "Litigation front."

10 Do you see that?

11 A. Mm-hmm.

12 Q. It says: "File lawsuit against British
13 distributor to void relationship. They had declined
14 to sign agreement."

15 Do you see that language?

16 A. Yes.

17 Q. Do you know what that refers to?

18 A. I don't recall.

19 Q. Okay. Do you recall whether, during this
20 meeting, any other litigation was discussed?

21 A. Repeat the question.

22 Q. Do you recall -- let me rephrase the
23 question.

24 Do you recall whether during this meeting on
25 July 9th, whether the company's litigation with Costco

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1 was discussed?

2 A. I don't recall specifically.

3 (Exhibit No. 160 marked for identification.)

4 BY MS. LELAND:

5 Q. Marked as Exhibit 160 is Bates UND 06019
6 through -22.

7 Do you recognize this document?

8 A. Yes.

9 Q. What is this document?

10 A. It is a summary -- very brief summary of the
11 due diligence that we performed for the Adams Golf
12 IPO.

13 Q. By "we," do you mean the working team?

14 A. Yes.

15 Q. The second item on Page 6020, second heading,
16 is "Customer Calls - summaries circulated to
17 underwriters by caller."

18 Do you recall customer calls?

19 A. Yes.

20 Q. Will you explain to me how that worked?

21 A. We would call the Adams Golf contact at the
22 customer location and speak to them about their
23 relationships with Adams Golf. And we split up the
24 calls amongst the underwriters.

25 Q. Which underwriters were the calls divided

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1 among?

2 A. Well, by -- amongst ourselves and
3 Ferris Baker.

4 Q. Okay. And do you know who provided the names
5 of the customers?

6 A. The names of the -- well, we asked for a list
7 of the top customers from the company. So they
8 provided the list from which to select the -- the
9 customers, and we randomly selected from the list of
10 customers, focusing on the largest.

11 Q. To your knowledge, during these customer
12 calls, was the issue of gray marketing ever discussed?

13 A. Was the issue of gray marketing ever
14 discussed? It was discussed in the context of the
15 customer's satisfaction with their overall
16 relationship with Adams Golf. So, to clarify, we
17 would talk about if they had any problems or issues
18 with Adams Golf that we should be made aware of.

19 And so we gave them very open-ended,
20 broad questions so that they could tell us anything
21 and everything and gave them pretty much every
22 opportunity to do that. And so, in that way, it was
23 discussed.

24 Q. Okay. Do you have any specific recollection
25 of a customer call during which gray marketing was

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1 discussed?

2 A. In terms of, like, if I go through each one
3 of these -- I would say -- well, with each of the
4 accounts that Lehman Brothers handled directly, I know
5 I was involved on those calls. And it would -- we
6 would discuss any types of issues, again, they would
7 have with Adams, with any -- you know, what they saw
8 in competition.

9 So again, your definition -- your term of
10 "gray marketing," from the broadest sense, using that
11 definition -- in the broadest sense, sure, it was
12 discussed with each of these clients.

13 Q. Were these --

14 A. With each of these customers. Excuse me.
15 Because we're talking about -- "You get your supply
16 from Adams Golf." You know, "Are you" -- "what are
17 they doing with you?" "How happy are you with
18 Adams Golf?" What are they doing from their
19 perspective for protecting the brand and getting the
20 product to them and servicing them?

21 So that would cover a broad range of issues,
22 including the gray marketing issue. If they had a
23 problem, they would have said something to us.

24 Q. And do you recall anyone expressing concern
25 over the sale of clubs in Costco during these calls?

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1 A. Not at all.

2 (Exhibit No. 161 marked for identification.)

3 BY MS. LELAND:

4 Q. Exhibit 161 is Bates UND 00287 through -315.
5 Go ahead and take a look at this and let me know if
6 you recognize it.

7 A. Yes. This is a compilation of customer due
8 diligence questionnaires, answers from -- that we
9 received from the company -- from the customers,
10 pardon me -- that we receive from the customers when
11 performing due diligence.

12 Q. Great.

13 Were you involved in preparing the
14 questionnaire?

15 A. Yes.

16 Q. Do you recall who else was involved in
17 preparing the questionnaire?

18 A. Generally speaking, the team would be
19 involved.

20 Q. And do these questionnaires correspond to the
21 customer calls listed on the prior exhibit, No. 160?

22 MR. CHEPIGA: Do you actually want her to go
23 back and compare them?

24 MS. LELAND: Please.

25 MR. CHEPIGA: It's a matter of whatever is in

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1 Q. Do you recall whether you saw it prior to the
2 IPO?

3 A. Yes.

4 Q. You mentioned earlier that you were aware
5 that Adams Golf was commencing litigation against
6 Costco. Is that correct?

7 A. "Commencing litigation," I'm not sure if
8 that's the correct term, again, just because I don't
9 have the legal background. But there was something
10 that was going to be done in a legal manner. That's
11 what I knew.

12 Q. By Adams against Costco?

13 A. Yes.

14 Q. Did you discuss the litigation with anyone at
15 Adams prior to them filing the suit?

16 A. I believe it was prior, yes.

17 Q. Who did you discuss this with?

18 A. I don't recall exactly, but it would have --
19 it was a group of senior management at the company
20 and/or our -- our counsel, underwriters' counsel or
21 their counsel. It was discussed.

22 Q. Did you follow the litigation after it was
23 filed?

24 A. What do you mean by "follow"?

25 Q. Adams Golf filed a bill of discovery against

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1 Costco in June of '98.

2 A. Okay.

3 Q. Did you have any discussions with anyone at
4 Adams concerning the litigation between June 9th
5 of '98 and July 9th of '98?

6 A. I believe I did.

7 Q. Who did you have discussions with?

8 A. I don't recall. I can recall conversations.
9 I don't remember who was actually there, but I recall
10 conversations.

11 Q. And what was said in these conversations?

12 A. My recollection was discussions to determine
13 whether or not this was a significant issue and
14 whether or not it was -- it was a significant issue.
15 And I remember concluding that it wasn't.

16 Q. On what basis did you conclude that this was
17 not a significant issue?

18 A. This type of thing happens all the time with
19 companies. Costco was not -- it wasn't a big problem.
20 There weren't lots of clubs at Costco's; it was an
21 isolated incident, and it was protection that is done
22 in the normal course of business for -- that
23 Adams Golf would do. So other golf clubs
24 manufacturers have -- do the same, protecting their
25 patent, that type of thing. It's not anything

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1 different that -- so -- it's not anything different.

2 Q. Do you know how the suit turned out?

3 A. Not specifically. I would have to be
4 prompted. I believe it was a nonissue.

5 Q. Would you be surprised to hear the suit was
6 dismissed?

7 MR. CHEPIGA: Object to the form of the
8 question.

9 THE WITNESS: What does that mean?

10 MR. CHEPIGA: It means answer the question,
11 but I think it's a defective question.

12 THE WITNESS: Would I be surprised to find
13 out that --

14 MS. LELAND: -- the suit was dismissed.

15 THE WITNESS: I don't know.

16 BY MS. LELAND:

17 Q. Have you ever heard that the suit was
18 dismissed?

19 A. I don't recall. I just remember it not being
20 a significant issue.

21 Q. Were people at Adams taking the position that
22 this was not a significant issue?

23 A. We discussed it thoroughly. We -- so it
24 was -- it was something that was discussed. Anytime I
25 hear "legal action," it has to be discussed and

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1 vetted. And so the issue was taken seriously; it
2 wasn't, you know, just dismissed. It was -- but it
3 was fully discussed and vetted with the company and
4 with the underwriters, and we felt it wasn't a
5 significant issue. I do recall that.

6 I -- I mean, when there is a legal issue,
7 I want to know, you know, what's going on? Is it
8 something that could impact the company significantly?
9 And we pursue that. You know, typically they're
10 around patent issues, and this one was not one that
11 was significant. There were other -- many other
12 factors that were significant, or material.

13 Q. And those factors being the ones you
14 identified previously that appear in those first
15 couple of exhibits we talked about?

16 A. Yes, to talk about competition.

17 Q. Exactly.

18 A. What's happening there.

19 Q. Do you recall how you received a copy of that
20 press release?

21 A. No, I don't. No, I don't. But I do remember
22 talking about it and discussing it.

23 Q. Could you have received it directly from
24 Adams Golf?

25 MR. CHEPIGA: Object to the form.

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1 THE WITNESS: Could I have?

2 MR. CHEPIGA: That's what I'm objecting to.

3 BY MS. LELAND:

4 Q. Just trying to find out if it came through
5 your in-house research or if Barney sent it to you.

6 Do you recall seeing a draft of the press
7 release?

8 A. I don't know if I saw it. I don't know if I
9 saw a draft. But Barney contacted us frequently. You
10 know, he was discussing -- he was one of the most --
11 he talked to us a lot. We had lots of calls from
12 Barney. And so I know we discussed a lot of these
13 issues.

14 Q. What, to your knowledge, was the Adams-Costco
15 litigation intended to accomplish?

16 A. What was it intended to accomplish? Repeat
17 that question again.

18 Q. What was the litigation intended to
19 accomplish?

20 A. To stop the distribution of clubs wherever
21 they might be at Costco.

22 Q. In going through the due diligence process,
23 who had the final say on whether or not the presence
24 of clubs in Costco was material?

25 A. Who had the final say?

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1 Q. (Nods head up and down.)

2 A. It would be a collaborative effort amongst
3 the underwriters and the company, and we would all
4 give our opinion on that. And then I'm unsure as to
5 who would say it, but if we wanted -- if we felt that
6 it was material, we would put it in there.

7 (Exhibit No. 164 marked for identification.)

8 MS. LELAND: Marked as Exhibit 164 is
9 Document No. UND 02708.

10 THE WITNESS: Okay.

11 BY MS. LELAND:

12 Q. Have you seen this document before?

13 A. Yes.

14 Q. What is this document?

15 A. A summary of the SEC's comments on the
16 prospectus.

17 Q. Who is Joe Hoffman?

18 A. I have to look at the working group list.
19 I believe an attorney.

20 Q. Okay. Do you recall the approximate date
21 when you saw this memo?

22 A. No, I don't recall the approximate date, but
23 as a matter of practice, we see the SEC's comments.

24 Q. Okay. So, as a matter of practice, you would
25 have seen it around the time the memo was issued;

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1 is that correct?

2 A. Yes.

3 Q. Okay. Take a look, and if you could read on
4 the record Item No. 4.

5 A. Okay.

6 (Witness examines document.)

7 Okay.

8 Q. "The staff wanted the company to consider
9 whether disclosure of the Costco matter was
10 necessary."

11 A. Okay.

12 Q. What happened when you saw this memo?

13 A. When I saw that statement, "The staff wanted
14 the company to consider whether disclosure of the
15 Costco matter was necessary"? Well, your question is,
16 like -- I know -- I don't know what happened when I
17 saw it, but I know what happened with considering
18 whether disclosure of the Costco matter was necessary.

19 Q. What happened in the consideration?

20 A. We discussed whether it was necessary and
21 concluded that it was not a material and relevant
22 factor.

23 Q. Who all was involved in the discussions?

24 A. I can't recall specific names, but I can
25 recall it was underwriters and -- and senior

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1 management and counsel.

2 Q. Okay. By June 25, 1998, the clubs were in
3 Costco; correct?

4 A. Well, in limited -- what we knew was a
5 limited basis.

6 Q. And Adams had filed their suit against
7 Costco; correct?

8 A. Correct, based on -- yes, okay. June 9th,
9 yes.

10 Q. And nevertheless, everyone decided that it
11 wasn't a material issue?

12 A. That's right, because Costco -- it was --
13 you could file suit against every person that you
14 found had a club. You know, people get them in all
15 different manners and different ways. And, you know,
16 this source was -- it was, you know, going to be shut
17 down. It wasn't a significant one, a small number of
18 clubs, isolated incident.

19 And it just wasn't a -- it was not a relevant
20 factor to bring it out and highlight it as a separate
21 risk factor. This was all covered under the risk
22 factors that are in the prospectus, those general
23 terms, competition and what happens, that kind of
24 thing.

25 Q. Once you learned that the litigation had been

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1 big issue. It was an isolated incident. So, you
2 know, there weren't huge, long -- there were long
3 discussions that I can tell you in detail about other
4 things, but in this one, it was not material by any
5 means.

6 Q. Did anyone at Adams attempt to assure you
7 that this was not a big deal?

8 A. Did anyone attempt to assure me?

9 MR. CHEPIGA: Object to the form.

10 THE WITNESS: Okay.

11 MR. CHEPIGA: Go ahead and answer it.

12 MS. LELAND: Let me try to rephrase it.

13 Q. Did anyone at Adams tell you that the
14 presence of clubs in Costco was immaterial?

15 A. I don't know if they would have used those
16 words. I know that we talked about it as a group and
17 came to that conclusion. But no one was forcing that
18 opinion on us, that kind of thing. I wasn't forcing
19 it on anybody else.

20 (Exhibit No. 165 marked for identification.)

21 (Discussion off the record.)

22 (Recess taken.)

23 BY MS. LELAND:

24 Q. Marked as Exhibit 165 is a Document UND 02701
25 through -03.

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1 BY MS. LELAND:

2 Q. Are you aware of any --

3 MR. CHEPIGA: I'm just trying to hear the
4 question.

5 Go ahead.

6 BY MS. LELAND:

7 Q. Are you aware of any other communications
8 between Adams and the SEC on these issues?

9 A. The phone calls.

10 Q. Okay. Can you identify for me the phone
11 calls?

12 A. No.

13 Q. Okay. How do you know the phone calls took
14 place?

15 A. Well, it's typical in an IPO that there's
16 communication between the counsel and the SEC, so --
17 then she refers to them -- I mean he refers to
18 Carolyn Kurr calling.

19 MR. CHEPIGA: In 164?

20 THE WITNESS: In 164.

21 BY MS. LELAND:

22 Q. And 164 is dated June 25th --

23 A. Mm-hmm.

24 Q. -- and 165, the response to the SEC, is dated
25 July 6th.

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1 A. Mm-hmm.

2 Q. Are you aware of any specific calls between
3 the SEC and Adams after the call referred to in the
4 June 25th memo?

5 A. Am I aware of any specific?

6 Q. Yes.

7 A. I can't recall specifically.

8 Q. Okay. Did you or anyone else at Lehman ever
9 communicate directly with Carolyn Kurr?

10 A. Not to my recollection.

11 Q. Did you or anyone else at Lehman ever
12 communicate directly with anyone at the SEC?

13 A. Anyone else at Lehman?

14 MR. CHEPIGA: About Adams Golf?

15 MS. LELAND: About Adams Golf.

16 THE WITNESS: I don't recall.

17 (Exhibit No. 166 marked for identification.)

18 MS. LELAND: Exhibit 166 is a document
19 Bates-numbered UND 5135 through 5184.

20 THE WITNESS: Okay.

21 BY MS. LELAND:

22 Q. Do you recognize this document?

23 A. Yeah. Yes, it's the summary road show
24 schedule.

25 Q. Who prepared this document?

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1 Q. When the underwriting was presented to
2 Lehman's commitment committee for approval, did anyone
3 raise the issue of gray marketing or the Costco issue?

4 A. Repeat the question.

5 Q. When the underwriting was presented to the
6 commitment committee meeting at the meeting we just
7 discussed, did anyone raise the issue of -- the Costco
8 or gray marketing issue?

9 (Witness examines document.)

10 A. In the general sense, we talked about
11 distribution channels and many things regarding
12 distribution channels.

13 Q. In the more specific sense, was the fact that
14 Adams clubs had turned up at Costco ever mentioned
15 during this meeting?

16 A. I don't recall.

17 Q. Was the fact that Adams had filed suit
18 against Costco ever mentioned at this meeting?

19 A. I don't recall. I don't recall.

20 MR. CHEPIGA: Counsel, by -- the meeting was
21 April 28th.

22 MS. LELAND: Oh, okay.

23 Q. So as of April 28th -- and I apologize for
24 any confusion -- Costco may not even have been sued by
25 that time.

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1 A. Oh, okay. The meeting was on April 28th.

2 MR. CHEPIGA: If that's accurate.

3 MS. LELAND: If that's accurate.

4 THE WITNESS: Okay. If that date is
5 accurate, then the specific Costco suit was not --
6 would not have been discussed because it didn't
7 happen.

8 BY MS. LELAND:

9 Q. Are you aware of any reason why the meeting
10 did not happen on April 28th of 1998?

11 A. No.

12 Q. Okay. At Page 6030, going over to Page 6032,
13 under the heading "Issues before the committee, pros
14 and cons," there is a list of cons.

15 Do you recall discussing these issues at the
16 meeting?

17 A. Yes.

18 Q. Do you recall any other issues that would
19 fall under the category of cons as used herein that
20 were discussed at that meeting?

21 A. No, I do not. We had to be very thorough in
22 this, and we discussed everything that was important
23 and material and negative and we vetted those out.
24 It's important to Lehman to make sure we have
25 everything material, and these are not taken lightly

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1 by any means. Every one of these, almost every
2 word -- every word gets examined by our commitment
3 committee. These are the negatives.

4 Q. Do you recall how long the meeting lasted?

5 A. No, I don't exactly recall. But they are
6 very thorough meetings; they are not brief. You are
7 on the line at these meetings.

8 Our commitment committee is a very good
9 committee, I'm proud to say.

10 Q. At Page 10 of the memo, Page 6035, under the
11 heading "Competitive position" --

12 A. 6035. Okay.

13 Q. -- about halfway down the paragraph under
14 sub (iii), the memo states that the company's success
15 today can be largely attributed to three factors,
16 Factor 3 being "its ability to deliver high margin
17 quality products to golf retailers."

18 What is meant by that statement?

19 A. "Its ability to deliver high margin quality
20 products to golf retailers." It has -- the company
21 has a quality product, which a golfer is looking for,
22 and the company needs to be able to deliver that. The
23 "high-margin" part is that there is a demand for that
24 product and it's a quality product. And its -- let's
25 see.

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1 because they don't tell us. They don't share with us
2 their exact things; they share with us their concerns.

3 Q. Okay. Was the concern expressed regarding
4 Tight Lies' appearance in Costco expressed to you by
5 the analysts at any time prior to August 28th?

6 A. No, I do not believe so.

7 Q. And were Mr. Lantier and Mr. Picchi on the
8 working group team?

9 A. They are research analysts for Lehman and
10 part of the -- part of the -- it's separate, banking
11 and research. So they're there, but they have their
12 own independent reviews.

13 Q. Okay. So as of August 28th, they know the
14 Costco issue is a problem in their research report;
15 correct?

16 MR. CHEPIGA: Object to the form.

17 THE WITNESS: Correct.

18 BY MS. LELAND:

19 Q. And this -- the Costco issue is based upon
20 what the memo says here, something they learned of
21 after speaking with golf shops over three months?

22 A. Correct.

23 MR. CHEPIGA: Objection. The document speaks
24 for itself.

25 MS. LELAND: I'm just trying to figure out --

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1 MR. CHEFIGA: This is a document she's not
2 involved in the creation of. I don't know -- I don't
3 know what you're trying to establish through her with
4 this document.

5 BY MS. LELAND:

6 Q. So although the equity -- the equity analysts
7 were aware of certain information, it wouldn't
8 necessarily flow to the investment banking side?

9 A. If it were a major concern, it would.

10 Q. Okay.

11 A. If it were a major concern, we wouldn't have
12 done the deal.

13 Q. And at any time prior to doing the deal, did
14 you discuss with either Mr. Lantier or Mr. Picchi the
15 issue of clubs in Costco?

16 A. I don't recall the clubs in Costco, exactly,
17 but we discussed margins and pricing.

18 Q. Okay. How frequently did you communicate
19 with the Lehman analysts?

20 MR. CHEFIGA: At what period of time?

21 MS. LELAND: Prior to the IPO. Let's start
22 there.

23 THE WITNESS: How frequently? It's hard to
24 say how frequently. It's when -- when necessary.

25 But -- that's how I can answer it. It's when

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1 A. Yes.

2 Q. Did you review the IPO documents for the
3 prospect -- the prospectuses for other Adams Golf
4 competitors, like Callaway, specifically?

5 A. Yes.

6 Q. When you were reviewing those prospectuses,
7 did you look specifically at their risk factors?

8 A. Definitely.

9 Q. And was gray marketing mentioned as a risk
10 factor in either of those prospectuses?

11 A. No.

12 Q. Do you remember reviewing any other potential
13 competitors to Adams Golf prospectuses or --

14 MR. CHEPIGA: At the time?

15 MS. MORIATY: I'm sorry. At the time of the
16 IPO.

17 Q. When you were planning for the IPO, did you
18 review any other similar --

19 A. Yes.

20 Q. -- companies' prospectuses?

21 MR. CHEPIGA: Now it's your turn.

22 THE WITNESS: Yes.

23 BY MS. MORIATY:

24 Q. And did any of those similar companies'
25 prospectuses include gray marketing as a risk factor?

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1 identified related to double shipping?

2 MS. LELAND: No, in relation to the IPO
3 prospectuses that she looked at.

4 MR. CHEFIGA: Looked at. All right. But she
5 didn't work on all of those; she just consulted
6 various IPOs.

7 BY MS. LELAND:

8 Q. For the ones that you worked on, at the time
9 of the IPO, were any of those companies faced with the
10 unauthorized distribution of their product through the
11 gray market at locations such as Costco?

12 A. I can't say for certain specifically, but the
13 issue is certainly there. Everybody has -- every
14 company I worked with has gray market issues.

15 Q. Okay. But you don't recall whether Cobra,
16 for example, had a gray market problem at the time of
17 its IPO?

18 A. Well, that's really reaching back, but I know
19 we discussed the issue. Because, again, you wanted to
20 know where they were -- where they were and who was
21 getting ahold of the clubs where and whether or not
22 they were actual Cobra clubs or some knockoff, that
23 kind of thing.

24 Q. So at the time of Cobra's IPO, were there
25 instances of unauthorized distribution of Cobra clubs?

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF DELAWARE
3

4 -----
5
6 IN RE: ADAMS GOLF, INC. : CONSOLIDATED
7
8 SECURITIES LITIGATION : C.A. NO. 99-371-KAJ
9
10
11 -----

12
13
14 ORAL DEPOSITION OF BRIAN LANTIER

15
16 Monday, June 5, 2006
17

18 The oral deposition of BRIAN LANTIER
19 was held at the Wyndham Syracuse Hotel,
20 6301 Route 298, East Syracuse, New York,
21 from 12:00 noon to 4:59 p.m., before
22 Cynthia A. Sanders, a Certified Shorthand
23 Reporter in and for the State of New York
24 and Registered Professional Reporter.
25

1 Q Let's just focus on the phrase after-market
2
3 support.

16

4 In what ways did, to your knowledge, Lehman
5 Brothers provide after-market support to its IPO
6 clients?

7 A I'm not sure. I would not have been in a
8 research capacity, so I'm not sure in which regard
9 they were offering -- we were offering support.

10 Q Now, let me try to get a preview to scope
11 things down at the beginning.

12 A Um-hmm.

13 Q Would it be accurate to say that up until
14 the time that the IPO became effective in July of
15 1998, that your primary work was in the area of
16 valuation?

17 A It's a function of the research analyst
18 role, yes; but not necessarily in valuations as they
19 are assigning value to an IPO price, it was valuations
20 versus the existing market trading price.

21 So there weren't a lot of -- It was not
22 here is 50 IPOs, let's talk about what their prices
23 valuation should be, that would be more of a banking
24 role. My role was more: There is a stock trading at
25 \$15, should it be trading at 12 or 18, in your

1 opinion.

17

2
3 Q Okay. During the phase of Lehman's work
4 for Adams Golf, up to the time the offering became
5 effective, what other areas of work did you do other
6 than the type of valuation work that you just
7 described with respect to Adams Golf?

8 A With respect to Adams Golf; there would
9 have been due diligence. We did some preliminary due
10 diligence on our side, which was separate, but going
11 on at the same time as investment banking due
12 diligence.

13 Q Okay. While you were working on the Adams
14 Golf offering, what was the general nature of your
15 personal interaction, if any, with the investment
16 banking team?

17 A We spoke fairly regularly about the
18 marketplace; what due diligence I had done, various
19 things that were going on with the company.

20 Q And all of those people were generally in
21 San Francisco at the time?

22 A Yes.

23 Q And where was your office located?

24 A Manhattan.

25 Q How did you communicate with the investment

1 A Myself, I was following probably --

2 33

3 Actually, working with the estimates and the models,
4 probably six or eight; in that range.

5 Q And were they concentrated in any
6 particular industry?

7 A No, they were across industries; software,
8 pharmaceutical manufacturing, it was pretty broad.

9 Q Did you follow any golf stocks, other than
10 Adams?

11 A No.

12 Q Do you have any knowledge as to how many
13 companies Mr. Picchi was following in those days?

14 A I don't recall; it fluctuated, it probably
15 was within, you know, 10 to 16 or 17.

16 Q And do you know whether he followed any
17 golf stocks, other than Adams in those days?

18 A No, there was really only one other golf
19 stock, per se.

20 Q You're referring to Callaway?

21 A Callaway.

22 Q And how did your role differ, if at all,
23 from Mr. Picchi's with respect to following Adams?

24 A Bernie was our -- The head of our group,
25 the growth stock group, and I was a -- I don't even

1 recall what my title was at the time, but it would
2
3 have been a junior position to Bernie, all the
4 analysts within the group were juniors. And my role
5 was to become as indepthly aware of the golf industry
6 as I could, to be the best analyst we could on a golf
7 stock, given the limited amount of information that
8 there was.

9 Q When you drafted research reports --
10 Strike that.

11 When Lehman created research reports or
12 comments regarding Adams, was there a process by which
13 those reports were generated; did you do the first
14 draft, did Mr. Picchi do the first draft?

15 MR. McEVOY: I'm just going object as
16 to vague; you can answer.

17 A Depending upon the report, I would write
18 something and then have Bernie take a look at it,
19 offer feedback, comments, strike this, add this; that
20 type of thing.

21 Q When price targets were set, which of the
22 two of you set the target?

23 MR. McEVOY: Just wait for him to
24 finish the question.

25 A It would have been a collective effort

1 Q By the time you sent this document to

2 42

3 Mr. Picchi at the end of April of 1998, had you heard
4 the term gray marketing in connection with Adams Golf?

5 A April of '98? I'm not sure when I first
6 heard the term the gray market. I've seen that in a
7 lot of documents, the term gray marketing, and I'm not
8 sure that's an actual true definition, but it might be
9 some terminology that I can correct at some point.

10 Q Well, I would like to get to some
11 terminology that might save us some time.

12 A Um-hmm.

13 Q By the time the commitment committee at
14 Lehman had approved going forward with the Adams
15 offering, do you remember having heard of alleged
16 illegal distribution of Adams products?

17 A I believe it may have come up -- I don't
18 know when it came up. I remember hearing about it
19 prior to the IPO, and the determination was it was
20 such a small insignificant number of clubs, at the
21 time limited to one retailer, that it wasn't a --
22 going to have a material financial impact.

23 Q How did you hear of this illegal
24 distribution issue, as best you can recall?

25 A I can't recall whether it was -- how it

1 came up; I don't know whether it was through pro shop

2

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3 calls -- We had heard from conversations with pro
4 shops that there were some clubs showing up in big box
5 retailers, but if that was post-IPO or pre-IPO, I
6 can't recall.

7 Q From what pro shops did you hear that from?

8 A I can't recall. I mean, we spoke to
9 dozens, I don't know which pro shop that was.

10 Q Is it -- Just so we're on solid ground to
11 start with at least: Is it your recollection that the
12 first way that you heard of an illegal distribution
13 issue was through a pro shop rather than some other
14 source?

15 A I don't know how we -- how it may have come
16 up first.

17 Q Do you remember ever discussing the issue
18 of illegal distribution of Adams clubs with the
19 investment banking team prior to the IPO?

20 A I'm sure we may have discussed it at some
21 point, but I can't recall the -- It was not a high
22 priority, again because of the size. It was not --
23 There were far more pressing issues.

24 Q What were they?

25 A The potential outlook for competition, new

1 clubs being buzzed by Callaway or Title Lies and

2

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3 Orlimar's filing; all those were things which we
4 focused a lot more attention on.

5 Q What did you learn about the number of
6 clubs that made -- Strike that.

7 You said that a determination was made that
8 the number of clubs was small and insignificant. Who
9 made the determination that the number of clubs was
10 small and insignificant?

11 A I don't recall who may have made that
12 specific determination, but I remember calling around
13 to Costco's when the issue first came up, and I
14 couldn't find the clubs on the east coast; so we had
15 some understanding that they were not in the east
16 coast. And as, you know, we went along, we could not
17 locate any of these clubs. So we assumed that if it
18 was going on, it was not, you know -- In a company
19 that was selling 600,000 clubs a year, a few thousand
20 clubs wasn't going to make or break their year.

21 Q And was it your conclusion, prior to the
22 IPO, that there were a few thousand clubs out there
23 that had gotten into Costco's?

24 A No, we didn't have a firm number. The
25 first time I ever saw a number was in your complaint,

1 banking side about whether there had been a discussion

2

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3 of disclosure of the Costco distribution issue?

4 A I don't recall hearing that from them, no.

5 Q Prior to hearing through the pro shop

6 survey that some Adams clubs had ended up in some

7 Costco stores, had you heard of the concept of gray

8 marketing before?

9 A I have heard of a gray market, that a gray

10 market exists. I think gray marketing implies that a

11 company is doing it on purpose, that the company is

12 marketing the products through a gray market, and I

13 think that's a fault in terminology; but that gray

14 market exists, certainly. I would walk in my local

15 Sam's Clubs and there was racks of Callaway clubs and

16 racks of other clubs. The retailers are exceptionally

17 skilled at obtaining clubs through the gray market.

18 Q Had you ever studied unauthorized

19 distribution of products, whether in the gray market

20 or any terminology, in the course of your education

21 and learning of the gray market?

22 A Not to try and track the products down. We

23 understood that it happened, but to follow the product

24 through the chain as to how it got there,

25 understandably Costco and Sam's Club are pretty

1 tight-lipped on how products get there.

50

2
3 Q Prior to the IPO, did you discuss, with
4 anyone, whether unauthorized distribution of Adams
5 products could have increased Adams sales?

6 MR. McEVOY: I'm going to object to
7 the form. You can answer it, if you can.

8 A I'm not sure if we discussed it to that --
9 I don't recall discussing it that way.

10 Q Do you recall, prior to the IPO, discussing
11 with anyone, that unauthorized distribution of Adams
12 products could have an impact on Adams margins?

13 A I can recall that being an issue that
14 somebody had raised, be it an investor or someone had
15 said: If Adams clubs end up in Costco like Callaway's
16 Warbird is, what is that going to do? And we
17 discussed it; that if 3,000 clubs end up in Costco, it
18 might be an issue, but right now it's not an issue.
19 And it happens to everyone.

20 Q Now, was that a conversation in which
21 Mr. Picchi participated?

22 A I can't recall.

23 Q Okay.

24 A We had different offices, I don't recall
25 whether that was an investor conversation or who

1 Q Were there any prohibitions in those days,

2 52

3 to your knowledge, on you're talking to investors?

4 A Post-IPO?

5 Q Post-IPO.

6 A No.

7 Q Pre-IPO?

8 A Pre-IPO you're not covering the stock, so
9 all you're referring to are actual market trends. You
10 can comment on the industry, but you would not comment
11 on a specific stock without covering it.

12 Q In the process of researching the company,
13 prior to the IPO and then following it after the IPO,
14 did you, as part of your job, collect articles from
15 the golf industry about the various competitors of
16 Adams and Adams, itself?

17 A Yes.

18 Q And did you do anything to make sure that
19 you were all-inclusive in collecting that data --
20 Strike that. Let me put it another way.

21 What did you do about the way of collecting
22 articles regarding Adams and its competitors?

23 A There were -- There is three or four trade
24 magazines, we would monitor their web sites, kept
25 track of information that was coming out in industry

1 publications. There was also a -- There was a

2 53

3 subscription service that we paid for, I can't
4 remember or recall what the name of it was, but they
5 tracked actual sell-through data of clubs on a monthly
6 basis.

7 Q I'm sorry, what data?

8 A Data of clubs being sold through the pro
9 shops. And I can't remember the name of the company,
10 but we paid for that as well. And that gave us good
11 indication of where each of the competitors would lie
12 in the competitive market.

13 Q That was Golf Data Tech?

14 A Yes, it is.

15 Q When -- Strike that.

16 Did you do any computer searches to follow
17 the company?

18 A I assume so, yes. I would assume we were
19 working on the internet by then.

20 Q Which were the golfing periodicals that you
21 actually saw in those days?

22 A I can't recall. Golf Digest, obviously,
23 and I'm sure there were others; I can't recall.

24 MR. McEVOY: Don, is this a good time
25 for a quick break, just five minutes?

1 that investors had raised the question of seeing Adams

2 99

3 clubs in Costco stores?

4 A Um-hmm.

5 Q And I would like to focus on that.

6 What is your best recollection about who
7 those investors were?

8 A I can't recall who the specific investors
9 were. It would not have been -- For the most part
10 when I refer to investors, people who call and spoke
11 to the analysts were typically referred by the
12 institutional salespeople. So it would have been a
13 fund manager most likely who saw a club somewhere on
14 the west coast and called to say: Is this an issue?
15 And, you know, it was a factor, but it was a minor
16 factor in my opinion.

17 Q You mentioned the west coast. Was that, in
18 fact, a place where you discovered that Costco was
19 acquiring Adams clubs?

20 A I can't remember. I can't recall where or
21 how -- We never -- To the best of my -- The most
22 information I know about Costco's relationship with
23 Adams came from reading the information you presented.
24 I never saw -- Costco was extremely tight-lipped. I
25 could not get any information out of Costco, no matter

1 how many calls I made, as to where they were getting

2 100

3 the clubs.

4 Q And when you called Costco, what level of
5 the operation did you call?

6 A I called the individual retailers, I called
7 their investor relations department and didn't get an
8 answer and they denied everything. Then you would
9 call the individual retail stores, and I hoped to get
10 a hold of someone who would have some information to
11 pass along, and we were not successful in tracking
12 down from where it came from.

13 Q Was there anyone that was part of the
14 original team that we looked at at the beginning of
15 this deposition who had, as part of his or her
16 responsibilities, helped to identify investor concerns
17 about Adams?

18 A I don't know if anyone's specific role
19 would have been that job. Anyone who spoke with an
20 investor, who received feedback, would always -- I
21 mean, we would all have that role to the same degree.
22 If I spoke with someone and someone mentioned: I'm
23 playing an Orlimar, now I'm playing with an Adams;
24 that's an investor concern, I'm going to pass that
25 along. But it was not any one specific task, I don't

1 serious issue, that Adams is working hard to correct,

2 141

3 we think investors should note that Costco is also
4 selling popular clubs from Callaway and TaylorMade.

5 First of all, what happened by August that
6 caused you to conclude that Adams was working hard to
7 correct the issue?

8 A I think the assumption that the lawsuit was
9 still pending, which clearly was not correct, but --
10 and the assumption that they were working -- I can't
11 remember if we had already talked at this point about
12 their doing some sort of serial numbering on the
13 shafts, as well as working through their retail system
14 trying to find out how the clubs were getting into
15 Costco. So I deem that to be working hard to fix
16 it -- fix whatever the problem was.

17 Q Okay. And that final sentence: Callaway
18 and TaylorMade are already in there and has materially
19 altered their outlooks.

20 Why did you put the discussion, that
21 appears under the heading of margins and pricing,
22 under that particular caption?

23 A The -- The pricing of the clubs at the
24 retail level had historically been at \$199 or so. For
25 Costco to sell them at \$149, clearly could have

1 impacted -- And this is where it's a little unclear.

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2
3 By the margins I'm referring to the retailers margins,
4 they're the pro shops margins. Despite the fact that
5 it creates an unlevel playing field in the retail
6 market, it actually doesn't impact Adams margin
7 because it's already sold at \$140 and Adams realizes
8 the revenue. It really doesn't -- I mean, it does
9 matter, because they want to have one level playing
10 field for all their retailers. But to Adams, the
11 revenue back to Adams, whether it sells at Costco for
12 \$149 or a top level pro shop at \$199, at this time it
13 was not -- you know, didn't change their margins at
14 all, it just changed the margins for the underlying
15 retailers. It could apply margin pressure to them if
16 they had to start lowering their prices, because they
17 were used to making \$40, \$50 a club, and Costco was
18 willing to give it away, basically, at cost.

19 Q It was your understanding, was it not, that
20 the level of retailer margins that had been described
21 in the Rocher document made Adams an attractive club
22 for its retailers to sell?

23 A Yes.

24 Q So that cutting the retailer margin made
25 Adams, to some greater or lesser degree, less

1 IN THE UNITED STATES DISTRICT COURT

2 FOR THE DISTRICT OF DELAWARE INDEX NO. 99-371-KAJ

3 _____x 09:38:48 AM

4 IN RE: ADAMS GOLF, INC. 09:38:48 AM

5 CONSOLIDATED SECURITIES LITIGATION 09:38:48 AM

6 _____x 09:38:48 AM

7 09:38:48 AM

8 DEPOSITION OF MARK GONSALVES 09:38:48 AM

9 (Taken by Plaintiff) 09:38:48 AM

10 June 6, 2006 09:38:48 AM

11 9:30 AM 09:38:48 AM

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24 09:38:48 AM

25 Reported by: Arne' Davis, CCR-Huseby No: 7299 09:38:48 AM

		Page 98
1	if you can identify this document, please.	01:49:42 PM
2	A. Uh-huh (affirmative) Yes, I recognize	01:49:55 PM
3	this.	01:50:07 PM
4	Q. This is the document that you authored	01:50:08 PM
5	on or about August 26th, 1998, in the normal	01:50:10 PM
6	course of your duties?	01:50:14 PM
7	A. That's correct.	01:50:16 PM
8	Q. Why was it relevant to point out to	01:50:16 PM
9	Barney Adams that the Orlimar tri-metal had made	01:50:19 PM
10	an appearance in Costco?	01:50:25 PM
11	A. That's a good question. (Pause) That's	01:50:29 PM
12	a good question. I don't know what importance we	01:51:02 PM
13	placed on this information.	01:51:05 PM
14	Q. Did it potentially help your	01:51:07 PM
15	competitive position vis-a-vis the Orlimar club?	01:51:10 PM
16	A. I don't think I would go there. I	01:51:22 PM
17	don't think I would say that.	01:51:27 PM
18	Q. Exhibit 260, is Bate stamped UND at	01:51:33 PM
19	5262 through 64.	01:51:39 PM
20	(Whereupon Plaintiff's Exhibit Number	01:52:08 PM
21	260 were marked for identification.)	01:52:08 PM
22	Q. (By Mr. Collins) Have you seen these	01:52:10 PM
23	pages before?	01:52:11 PM
24	A. I recall these pages.	01:52:45 PM
25	Q. This is a fax that you sent to Sameet	01:52:47 PM

		Page 99
1	Mehta?	01:52:50 PM
2	A. Yes.	01:52:50 PM
3	Q. Who was that, Sameet Mehta, Lehman?	01:53:02 PM
4	A. That's correct.	01:53:05 PM
5	Q. And you supplied this information as	01:53:07 PM
6	part of Lehman's due diligence for the IPO; is	01:53:09 PM
7	that right?	01:53:18 PM
8	A. That would have been my understanding.	01:53:19 PM
9	Q. And you sent this fax on or about April	01:53:23 PM
10	1, 1998, in the normal course of your duties, I,	01:53:26 PM
11	presume?	01:53:30 PM
12	A. Yes.	01:53:31 PM
13	Q. I noticed the top the ten customers	01:53:33 PM
14	don't include WDC MacKenzie, the Canadian	01:53:36 PM
15	distributor?	01:53:44 PM
16	A. Yes.	01:53:51 PM
17	Q. Wasn't that one of your top ten	01:53:51 PM
18	customers in early 1998?	01:53:53 PM
19	A. As far as volume, I'm not sure where	01:53:58 PM
20	they would have ranked. If they were in the top	01:54:01 PM
21	ten, I think the reason why they were not	01:54:04 PM
22	included in this list is because they were a	01:54:07 PM
23	distributor and not a retailer. These would be	01:54:09 PM
24	the retail accounts. That might be the	01:54:13 PM
25	difference.	01:54:15 PM

	Page 102
1 during that time.	01:57:19 PM
2 Q. Did you discuss with the underwriters	01:57:20 PM
3 grey marketing or the Costco issue?	01:57:26 PM
4 A. I know that grey marketing in specific	01:57:31 PM
5 to the Costco issue was discussed. Who exactly	01:57:36 PM
6 the individuals were in the room or rooms during	01:57:43 PM
7 those discussions about Costco, that would be	01:57:46 PM
8 very hard for me to recall. I think at the end	01:57:51 PM
9 of the day we all viewed it for what it was, felt	01:57:55 PM
10 that it was like I said earlier, in the scheme of	01:58:01 PM
11 where we were, an issue that wasn't, I guess,	01:58:08 PM
12 material, is probably the best way for me to say	01:58:14 PM
13 it, material to the conversations.	01:58:17 PM
14 Q. In your last answer, when you said it	01:58:25 PM
15 was discussed, do you mean that it was discussed	01:58:27 PM
16 with the underwriters during due diligence	01:58:31 PM
17 discussions with respect to the IPO?	01:58:39 PM
18 A. I would suspect it was.	01:58:46 PM
19 Q. Were there particular -- Do you -- Were	01:58:53 PM
20 you interviewed by representatives of the	01:58:57 PM
21 underwriters in connection with their due	01:59:01 PM
22 diligence?	01:59:04 PM
23 A. I don't recall it being an interview,	01:59:05 PM
24 per se, but I'm sure there were discussions in	01:59:07 PM
25 regard to our company and our products and sales	01:59:10 PM

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF DELAWARE
3 - - -

4 IN RE ADAMS GOLF, INC. : CONSOLIDATED
5 :
6 SECURITIES LITIGATION : C.A. No. 99-371 KAJ

7 -----
8 Wednesday, June 7, 2006
9 -----

10 Oral deposition of JOSEPH D. TEKLITS, taken
11 pursuant to notice, was held at the offices of
12 SIMPSON, THACHER, AND BARTLETT, LLP, 425 Lexington
13 Avenue, 28th Floor, New York, New York 10017,
14 commencing at 10:07 a.m. on the above date, before
15 Beth A. Barkocy, Certified Shorthand Reporter and
16 Notary Public.
17
18
19

20 - - -
21 RSA/VERITEXT COURT REPORTING COMPANY
22 1845 Walnut Street, 15th Floor
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JOSEPH D. TEKLITS

Page 6

1 Q. First of all, what degree?

2 A. Master's of finance. US Government
3 after that.

4 Q. Doing what?

5 A. Finance work for the CIA. After
6 that, Ladenburg Thalmann in New York.

7 Q. What's that?

8 A. Investment banking firm, doing
9 research. After that, research at Ferris Baker Watts.
10 After that, research at First Union Securities.

11 Q. Okay, you've gone far enough.

12 What kind of research were you doing
13 at the investment banking firm in New York?

14 A. Equity research.

15 Q. Just generally, any specific field?

16 A. Consumer companies.

17 Q. How long were you there?

18 A. Eighteen months.

19 Q. Did you have anything to do with any
20 golf companies during that period?

21 A. Yes.

22 Q. Which ones?

23 A. Ashworth, golf apparel; Family Golf
24 Centers; Cutter and Buck. That's all I can remember.

25 Q. What years were those?

JOSEPH D. TEKLITS

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1 Q. Yes.

2 A. I can't recall.

3 Q. You don't know?

4 A. I can't recall.

5 Q. Looking in the back at the working
6 group list on Page 11, of these people, Steven Shea,
7 senior vice president, Charles Place, vice president,
8 and Kim Clandenen (ph), senior vice president, who of
9 them do you think would have been at that meeting, if
10 anyone?

11 MR. McEVOY: I'm going to object
12 because it calls for speculation because he
13 doesn't recall being at it.

14 You can answer if you know.

15 THE WITNESS: Of the four people on
16 this page, the two that would have been
17 invited would have been Steven Shea and
18 Charles Place. I don't know who attended.

19 BY MS. FOX:

20 Q. While you were at Ferris Baker Watts
21 in the period from sometime in 1997 through until
22 March of '98, were you an analyst of other golf
23 companies, golf-related companies?

24 A. Yes.

25 Q. Which ones were those, that you can

JOSEPH D. TEKLITS

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1 remember?

2 A. During that time, I don't remember
3 specifically.

4 Q. You don't remember any of them?

5 A. During those specific years --

6 Q. '97 and '98.

7 A. During those specific years, I don't
8 recall exactly what stocks I was covering at that
9 time.

10 Q. How long were you at Ferris Baker
11 Watts?

12 A. Four years.

13 Q. If you take the whole four years, do
14 you remember any other golf companies other than Adams
15 Golf?

16 A. Yes.

17 Q. Which ones?

18 A. Callaway Golf, Ashworth, Cutter and
19 Buck, Family Golf Centers, Lesco, L-e-s-c-o. That's
20 all I recall.

21 Q. Some of those you had been analyst
22 for in your job before Ferris Baker; is that right?

23 A. Yes.

24 Q. Did you, so to speak, bring those
25 with you?

JOSEPH D. TEKLITS

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1 MR. McEVOY: I'll object to the
2 form.

3 You can answer.

4 THE WITNESS: I'm not clear what
5 that means.

6 BY MS. FOX:

7 Q. Why was it that if you were an
8 analyst at one company, that you then became an
9 analyst for the same public company when you moved?

10 A. My expertise. One of the areas that
11 I focused on was the golf industry as an analyst at my
12 previous firm, Ladenburg Thalmann, so when hired at
13 Ferris Baker Watts, one of my duties was to also
14 continue coverage of the golf industry.

15 Q. At your previous firm, had you had
16 any contact with Adams Golf?

17 A. I can't recall.

18 Q. Who is David Turner?

19 A. My associate at Ferris Baker Watts.

20 Q. What was his role in this IPO?

21 A. He worked for me as an associate
22 research analyst, so he supported me.

23 Q. Doing research?

24 A. Yes.

25 Q. Did he do drafting as well?

JOSEPH D. TEKLITS

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1 A. Drafting of what?

2 Q. Drafting of the reports that you
3 did.

4 A. The research reports?

5 Q. Yes.

6 A. Yes.

7 Q. By 1998, were you familiar with the
8 term gray marketing?

9 A. Yes.

10 Q. What was your understanding of that?

11 A. I can't recall at the time what my
12 understanding of it was.

13 Q. Why were you familiar with it at
14 that point?

15 A. It's pretty common in covering
16 consumer brands, covered apparel brands, covered golf
17 brands. It's pretty common for that term to be part
18 of any discussion of a company's fundamentals.

19 Q. Did you know of Costco at that
20 point, beginning of 1998?

21 A. Yes.

22 Q. Did you associate Costco with gray
23 marketing?

24 A. I don't recall exactly.

25 Q. Is it your understanding of gray

JOSEPH D. TEKLITS

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1 THE WITNESS: No.

2 BY MS. FOX:

3 Q. Were you at those drafting sessions
4 but didn't participate? I think it was --

5 A. As an analyst, I wouldn't be at
6 drafting sessions.

7 Q. You weren't involved?

8 A. I was not.

9 Q. Did you participate at all in any of
10 the due diligence that was done for the IPO on behalf
11 of Ferris Baker?

12 A. On behalf of the Ferris Baker
13 research department, yes; on behalf of the Ferris
14 Baker investment banking department, no.

15 Q. In other words, you didn't do
16 research for the underwriting?

17 MR. McEVOY: Object to form.

18 THE WITNESS: For the underwriting
19 team, no.

20 BY MS. FOX:

21 Q. Was there a strict, like, steel
22 curtain between those two departments at Ferris Baker?

23 MR. McEVOY: Object to steel
24 curtain.

25 MS. FOX: Whatever we want to call

JOSEPH D. TEKLITS

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1 it.

2 THE WITNESS: Definition of the word
3 strict is what I'm -- your definition and my
4 definition might be different.

5 BY MS. FOX:

6 Q. Just explain how it worked, as best
7 you can.

8 A. There was certainly dialogue between
9 research and investment banking at that time, but
10 there was a true separation of responsibilities when
11 it came to an IPO. When it came to doing the due
12 diligence and more of the legal due diligence of
13 whether or not we want to be involved in an IPO or in
14 any underwriting, that was up to the investment
15 bankers.

16 When it came to due diligence of
17 what the company was worth in the public markets at
18 the time that it entered the public markets and what
19 the fundamentals of the company were that we were
20 going to portray to investors was my responsibilities.

21 Q. If you discovered something that was
22 disturbing about a company before the IPO, would it
23 have been your duty to tell the underwriters?

24 MR. McEVOY: Object to form.

25 THE WITNESS: Yes.

JOSEPH D. TEKITS

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1 BY MS. FOX:

2 Q. In the underwriting of Adams Golf,
3 do you remember any such discussions with the
4 underwriters about anything about Adams Golf?

5 A. No.

6 MR. McEVOY: I'm sorry, when you say
7 "underwriters," you're talking about
8 underwriters other than Ferris Baker?

9 MS. FOX: I'm talking about the
10 underwriters at Ferris Baker.

11 MR. McEVOY: You mean the investment
12 banking side underwriters?

13 MS. FOX: Yes.

14 THE WITNESS: I don't recall.

15 BY MS. FOX:

16 Q. Do you consider yourself an
17 underwriter?

18 A. No.

19 Q. What would you call yourself,
20 research analyst?

21 A. Research analyst.

22 MS. FOX: Off the record.

23 (Discussion held off the record.)

24 (Document Bates Stamped

25 UND 09303-UND 09440 was marked Exhibit-261

JOSEPH D. TEKLITS

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1 Q. Do you remember doing it at all?

2 A. I know that -- yes, I do remember
3 that eventually, I did cut the rating, yes; I think I
4 recall that. No specifics, but yes.

5 Q. You don't remember why?

6 A. No.

7 MS. FOX: That's all the questions I
8 have. Thank you.

9 MR. McEVOY: I have nothing at this
10 point.

11 MS. MORIATY: I need to take a
12 break. I'll have a few, but I'm not quite
13 ready yet.

14 (Recess.)

15 BY MS. MORIATY:

16 Q. I have a few questions for you to
17 follow up.

18 With a product appearing in Costco,
19 does that invariably mean retailers are less willing
20 to carry that product?

21 A. No.

22 Q. Why would retailers still be willing
23 to carry a product that appeared in Costco?

24 A. If there is continuing to be
25 consumer demand, they're going to continue to cater to

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1 their customers. Because it shows up in Costco, very
2 often, is a good sign. It can be a bad sign; it can
3 mean there's a flood of product in the marketplace and
4 it's going there. It could be a good sign because
5 Costco wants the best brands; they don't want to carry
6 a brand that consumers don't want, they want to carry
7 a brand that consumers are craving, so quantities
8 differ significantly. If it's the latter, it's
9 because there's not a flood of product in the
10 marketplace but because consumers are craving or
11 demanding the product. They'll still find a way to
12 get it one way or another, but it doesn't mean that
13 the retailers are going to suffer.

14 Q. Before the IPO, what impact did you
15 think Costco selling Adams clubs would have on Adams
16 Golf's brand image?

17 A. I don't know if I even knew Costco
18 was selling the clubs before the IPO, so I can't
19 recall.

20 Q. Whenever you found out that Costco
21 was selling Adams Golf clubs, what impact did you
22 think those sales would have on Adams Golf's brand
23 image?

24 A. Limited.

25 Q. Why was that?

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1 A. Partly because I thought it could be
2 a very different customer than would shop in a core
3 golf shop or certainly green grass shop which is at a
4 golf course; secondly, I didn't think the quantities
5 would create any disruption for the brand and I
6 thought that the company could fix the problem
7 quickly.

8 Q. When you found out that Costco was
9 carrying Adams clubs, what did you think about -- what
10 did you think the potential -- let me rephrase this
11 question.

12 When you found out that Adams clubs
13 were appearing in Costco, what did you think the
14 likelihood was the appearance of Adams clubs in Costco
15 would have an impact on Adams sales and revenue?

16 A. First of all, I don't recall. I
17 don't know what I thought at this point, so it's hard
18 to say.

19 Q. I'm going to ask the same question
20 in a different way. Before the IPO, what did you
21 think about whether gray marketing was an issue for
22 Adams Golf?

23 A. I just don't recall.

24 Q. Did you have any reason to think
25 that it would become an issue or that it was an issue?

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1 A. No recollection.

2 Q. I'll turn you to Exhibit-264.

3 MS. FOX: Tell us what it is,
4 please.

5 MS. MORIATY: It's the equity
6 research report after the first announcement.

7 BY MS. MORIATY:

8 Q. Previously, we looked on Page 3,
9 which is Bates stamped Adams 4116. We looked at the
10 paragraph labeled current issues. There are three
11 issues that you mention in this paragraph. In the
12 first sentence you mention industry softness and
13 competitive pressures in the fairway woods market,
14 then later on at the bottom of the paragraph you
15 mention that Tight Lies are being diverted into
16 Costco. My question is how would you rank these three
17 issues in terms of their comparative importance as far
18 as Adams Golf sales and revenue?

19 A. How would I or how did I?

20 Q. Let's start with how did you.

21 A. As far as I recall, competitive
22 issues were my focus of my due diligence in terms of
23 looking, searching for risks preIPO, postIPO. I knew
24 of Orlimar; I knew the name of the team that ran it.
25 Just like I sought out Barney Adams, I sought out that

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1 management team to get to know them, what they were
2 doing. Everybody knew that was following the golf
3 industry; you couldn't not know that product. I knew
4 of them, I knew they were making a similar product,
5 fairway wood, infomercials, so same channel, getting a
6 lot of buzz.

7 I also knew there were knock-offs,
8 something -- not Tight Lies but something very
9 similar, even sounding like Tight Lies, that was
10 showing up cheap in the marketplace. I knew Callaway
11 Golf was coming out with a new line of woods. They
12 were the No. 1 market share company and biggest brand
13 in the industry, so I thought that could be
14 competition.

15 Q. What did you know about industry
16 softness, overall industry softness?

17 A. I don't recall exactly. I know I
18 tracked that pretty closely, very closely. I now
19 recall from today that Callaway Golf had news of
20 weakness in their business, and Callaway, being the
21 leading brand, it certainly would create that kind of
22 line of thinking, industry softness.

23 Q. You testified earlier that part of
24 that Callaway drop was due to competition from Adams
25 Golf. From what you're saying in this report here,

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE ADAMS GOLF, INC. : CONSOLIDATED
:
SECURITIES LITIGATION : C.A. No. 99-371 KAJ

Friday, June 9, 2006

Oral deposition of BERNARD PICCHI, taken
pursuant to notice, was held at the offices of
SIMPSON, THACHER, AND BARTLETT, LLP, 425 Lexington
Avenue, 29th Floor, New York, New York 10017,
commencing at 10:04 a.m., on the above date, before
Beth A. Barkocy, Certified Shorthand Reporter and
Notary Public.

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1 thing I can think of that you refer to as a physical
2 advantage or a competitive advantage.

3 I think, though, maybe this is --
4 and correct me here, but I think that every analyst's
5 reputation ultimately resides not on the team but
6 really on the basis of what that single analyst can do
7 in terms of his client contacts and his reputation.

8 Q. When you say "client contacts," what
9 client contacts did you have at that point in time?

10 A. Just in the process of having been a
11 securities analyst on Wall Street for so many years, I
12 probably knew a great many portfolio managers and
13 analysts and trained in many institutions as a result
14 of that long history of experience and contact with
15 those individuals.

16 Q. In Exhibit-187, the first one that
17 was in front of you, it is written on Page I hyphen
18 one, Lehman's head of emerging growth equity research,
19 Bernie Picchi, has thorough knowledge of emerging
20 growth companies through his coverage of 11 companies
21 in numerous industries.

22 What is emerging growth equity as
23 you understood it?

24 A. Emerging growth equity as
25 distinguished from emerging countries or emerging

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1 markets, these are companies, almost all of which were
2 based in the United States, that represented, in many
3 cases, new business models, new companies with new
4 products and services, so we were really focused on
5 many companies that really hadn't had established
6 track records and developed an expertise over a period
7 of time of being able to sort of distinguish between
8 the companies that we thought were capable of
9 succeeding and delivering value for stockholders and
10 maybe those that weren't.

11 Q. The document refers to your coverage
12 of 11 companies. Would that have been the approximate
13 number of companies in total --

14 A. (Indicating.)

15 Q. -- that you were following in 1997,
16 1998?

17 MR. McEVOY: Just wait for him to
18 finish the question.

19 THE WITNESS: Right. The answer is
20 yes, that was approximately the correct
21 number of companies which I was publishing
22 research at that time.

23 BY MR. LEWIS:

24 Q. Did you cover companies on which you
25 weren't publishing research?

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1 A. Yes, I did. I'd say that's very
2 common, actually, among analysts. You typically tend
3 to focus on and publish on companies that represent
4 just a subset, really, of the total number of
5 companies within an industry or sector that you're
6 familiar with.

7 Q. Were you following any companies in
8 the golf industry prior to your work for Adams Golf?

9 A. I was aware of different publicly
10 traded golf companies. I would say it would probably
11 be a little bit of an exaggeration to say I was
12 following them. I'm certainly aware of them. There
13 are really not that many publicly traded sports goods
14 companies.

15 Q. Were you publishing on any sports
16 companies before the Adams Golf representation?

17 A. No.

18 Q. Had you ever followed Cobra?

19 A. I had followed Cobra in the sense of
20 reading about the company, becoming familiar with some
21 of the company's products and all its financial
22 parameters and so forth.

23 Q. Prior to your work for Adams Golf,
24 had you heard of any -- of whether there were any
25 problems at Cobra with respect to unauthorized

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1 most knowledgeable analyst, certainly one of
2 the most knowledgeable, yeah.

3 BY MR. LEWIS:

4 Q. Prior to the initial public
5 offering, did you do anything to familiarize yourself
6 with the golf industry in the expectation of being one
7 of the leading analysts in Adams once the offering was
8 completed?

9 A. In truth, sir, I don't really recall
10 what degree of preparation. Again, it's been so long,
11 I just don't remember what I did at that time.

12 Q. Do you recall reading any literature
13 about the golf industry in that period to familiarize
14 yourself with the industry to a greater degree?

15 A. Yes, I think that's true; I think
16 that's true, yeah.

17 Q. What, in general, did you do, as
18 best you recall?

19 A. Just reading various publications
20 about golf and about different golf equipment,
21 different fairway woods and drivers and putters and
22 all the different kind of golf equipment and new
23 trends.

24 Q. In those days, did you do that by
25 going online at all?

1 IN THE UNITED STATES DISTRICT COURT

2 FOR THE DISTRICT OF DELAWARE

3

4 IN RE: ADAMS GOLF, INC. : CONSOLIDATED

5 SECURITIES LITIGATION : C.A. NO. 99-371 KAJ

6 _____X

7

8 ORAL AND VIDEOTAPED DEPOSITION

9 OF BARNEY ADAMS

10 Thursday, June 22, 2006

11

12 The oral deposition of BARNEY ADAMS was
13 held at the law offices of Akin Gump Strauss Hauer
14 & Feld, LLP, 1700 Pacific Avenue, Suite 4100,
15 Dallas, Texas, from 9:32 a.m. to 4:53 p.m., before
16 Jamie K. Israelow, a Certified Shorthand Reporter
17 in and for the State of Texas, Registered
18 Professional Reporter, Certified Realtime Reporter
19 and Certified LiveNote Reporter.

20

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1 conducted an IPO in 1998, correct?

2 A Yes, we did.

3 Q Why did you do so, please?

4 A Why did we do so? As a source of
5 funding to -- equity funding to roll the company,
6 go forward.

7 Q And the IPO was a success?

8 A Yes.

9 MR. BESSETTE: It depends what
10 you mean.

11 A Yes, I'd say it was.

12 MR. COLLINS: I would say that
13 Mr. Adams is in a position to answer that
14 question.

15 Q (By Mr. Collins) The stock was sold,
16 correct, and the underwriters' allotment was
17 exercised, correct?

18 A Yes, it was.

19 Q Now, this document, 212 in front of
20 you, you will -- this is a document produced by
21 the underwriters. Do you know whether you've seen
22 it before? On the first page, it's entitled:
23 Institutional Sales Memorandum.

24 A I don't remember.